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Germany

Retail Food Sector

Report

2003

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Report Highlights:
Germany's consumers spent approximately $164 billion in 2001 on food and beverages. Of this amount two-thirds is spent in retail food and beverage outlets such as supermarkets and discount stores. Although Germany continues to be an excellent market for U.S. products, Germany's stagnant economy has affected retail sales.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Berlin [GM1], GM

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1. Market Summary

- Germany, with its 82.4 million people and the largest economy in Europe, is the leading European market for foods and beverages. Domestic products and products from other European Union (EU) countries dominate the shelves of retail outlets, mainly due to duty-free movement of goods among EU members, geographical advantages, existing business ties and requirements that products comply with stringent German/EU food laws and packaging and labeling regulations.

- Germany's retailing sector can be characterized as very competitive, highly complex and intertwined, and currently in the process of considerable consolidation. Margins are perhaps thinner than anywhere else in Europe, which together with a well-developed distribution system, results in a very competitive sector.

- Germany's consumers spent Euro 183.3 billion (approx. $164 billion) in 2001 on food and beverages, or about 14 percent of total expenditures. Of this amount, about one-third is spent in restaurants, canteens and other places where food and beverages are served on-premise. The remaining two-thirds is spent in retail food and beverage outlets, e.g., supermarkets.

- Germany's stagnant economy has affected retail sales, including sales of food products. In 2001, Germany's food and beverage retailers registered annual sales (turnover) of Euro 118 billion (equivalent to about $ 105.7 billion). Growth in sales remains relatively flat, with food/beverage sales growing only about 5 percent over the last five years. Taking into account retail price inflation, real growth in sales over this period was about zero.

- How products are marketed in Germany is also undergoing considerable change. The most dynamic segment within Germany's retail trade is the discount store segment. In terms of annual sales, discounters comprised almost 35 percent of the retail market in 2001, up from 30 percent in 1996.
- Food and beverage retailing in Germany is increasingly dominated by a handful of large retailers. In 2000, the top five food and beverage retailers accounted for 62.5 percent of national sales. It is forecasted that by 2010, the market share of the top five food and beverage retailers will rise to 80 percent of national sales.

	Number of Stores			Market	Value of Sales (Billion Euros)			Market
	1999	2000	2001	Share 2001	1999	2000	2001*	Share 2001
Hypermarkets	2,278	2,363	2,380	3.5%	29.2	29.8	30.4	25.8%
Discount Stores	13,235	12,970	13,180	19.3%	36.7	38.8	40.9	34.7%
Supermarket	9,134	9,230	8,842	12.9%	31	30.1	30.1	25.5%
Traditional Stores	47,950	45,900	43,950	64.3%	17.6	17.1	16.6	14.1%
Total	**72,597**	**70,463**	**68,352**	100.0%	**114.5**	**115.8**	**118**	100.0%

Source: Eurohandel Institute (EHI).
* Estimate.

- Buying associations or buying groups also play an important role in German retailing. These associations or groups are often operated by a wholesale company, which may do the purchasing, marketing and provide other services for independent retailers. Markant is the largest such buying association in Germany.

- In 2001, Germany imported consumer-oriented agricultural products valued at $324.7 million from the U.S., down from about $450 million in the mid- 1990's. Approximately one-third of all U.S. agricultural exports to Germany are in this category.
- The major competitors in the consumer-oriented market are other EU countries, particularly the Netherlands, France, Italy and Spain. The U.S. is the second largest non-EU supplier of consumer-oriented products to Germany, following Turkey.

Advantages/Opportunities and Challenges Facing U.S. Products in Germany

Advantages/Opportunities	Challenges
Germany’s 82.4 million inhabitants have one of the highest income levels in the world.	Very competitive market combined with stagnant growth in retail sales.
Germany is among the largest food/beverage importing nations in the world.	German (EU) import tariffs on certain products are high. EU enlargement will give preferential access to products from accession countries.
Fast growing market for organic products. Private label products are popular.	German buyers demand quality, but also low prices; discounters are fastest growing segment of retail market.
Germany has many, well-established importers. Distribution system is well developed.	Retailers often charge high listing fees for products.
The “American-Way-of-Life” and U.S.-style foods are popular, principally among the affluent younger generation.	Retailers seldom import products into Germany (EU) on their own.
Large non-German population and German’s penchant to travel abroad help fuel demand for a variety of foreign products.	Margins on food at retail are very thin.

II. Road Map for Market Entry

- **"Traditional" Retail Outlets- Supermarkets, Superstores, Hyper Markets or Super Centers, Club and Warehouse Outlets**

Entry Strategy

Success in introducing your product in the German market normally depends on local representation and personal contact. The local representative should be able to provide market information and guidance on business practices and trade-related laws, sales contact with existing and potential buyers, market development expertise, and the distribution system. The local representative may or may not also be the importer and distributor. The Agricultural Affairs Office in Berlin maintains extensive listings of potential importers and maintains information about ongoing activities that provide opportunities to meet the German trade.[1]

Specialized Importers. Specialized importers normally handle the importation and marketing of food and beverages sold in German retail establishments. These importers often specialize in products or product groups (including from a particular country) and frequently distribute products nationwide, either through their own sales force or through a distribution network of independent sales agents.

Selling Direct. Direct sales to the central purchasing department of one of Germany's leading retailers is typically very difficult, as most German retail buyers are usually not interested in taking on the added responsibility or the time and resources necessary to import products directly. This is especially true for new-to-market products which may not comply with German/EU import requirements, food laws and packaging and labeling requirements. Retail buyers may only be interested in importing products directly if they are unique or possess some specific attribute or offer significant advantages in terms of quality, price or financial promotional support.

Food and Beverage Retailing Profile

Retail Food/Beverage Sales, Number of Retail Outlets, 1997-2001

Category	1997	1998	1999	2000	2001	5-yr Growth Rate*
Total Sales (billion Euros)	112.8	114.1	114.5	115.8	118	5.1%
Total Sales (billion U.S. Dollars)	127	126.8	122	107	105.7	-27.6%
Share of top 5 retailers (% of total sales)	61.7%	63.5%	62.0%	63.5%	Na	3.9%
Share of top 10 retailers (% of total sales)	81.3%	83.6%	83.0%	84.0%	Na	4.0%
Retail outlets (1,000)	74.6	73.4	72.5	70.3	68.4	-9.6%

Note: Sales by the organized retail industry. The decline of total sales in U.S. dollars is attributed to the increasing strength of the U.S. dollar vis-a-vis the Euro.
*Growth rate for the top 5 and 10 German retailers is for 4 years (1996-2000).
Source: A.C.Nielsen, M+M EURODATA, Eurohandels Institute (EHI).

In 2001, Germany's retailers registered annual food and beverage sales (turnover) of Euro 118

[1] For a directory of European Importers see "American Foods in Europe - Your Guide to European Importers of U.S. Food & Beverage Products" at http://www.american-foods.org. Also available as hard copy, contact the Agricultural Affairs Office in Berlin.

billion ($105.7 billion). Following the re-unification of West and East Germany there has been little, or no, real growth in retail food and beverage sales. Over the 1996-2001 period, for example, nominal retail sales rose at an annual average rate of only 5 percent, about equivalent to retail price inflation.

Germany has a strong tradition of small traditional shops. Although Germany is increasingly dominated by a handful of giant retail organizations, the retail market is a lot less concentrated than in other European countries in part because of favorable German laws that protect small traditional shops from competition. However, the concentration of giant retail organizations in Germany has increased dramatically and is expected to continue in the near future as competition laws continue to be loosened. As a comparison, the five largest food and beverage retailers accounted for 63.5 percent of national food and beverage retail sales in 2000 as opposed to 45 percent in 1990. According to M+M Eurodata, by 2010, the five largest food and beverage retailers may account for 80 percent of national food and beverage retail sales. In comparison, in France, the five largest food and beverage retailers already comprise over 80 percent of the market.

With relatively flat domestic retail food sales, German retailers have sought to expand their sales -- and gain market share -- by buying-out their competitors and by focusing on markets outside of Germany. Many of the major German retailers already generate a significant portion of their total sales from non-German operations. For example, the following German retailers had significant sales outside of Germany in 2000: Metro (41.3 percent), Aldi (28.5 percent), Tengelmann (22.5 percent) and Rewe (20.2 percent).

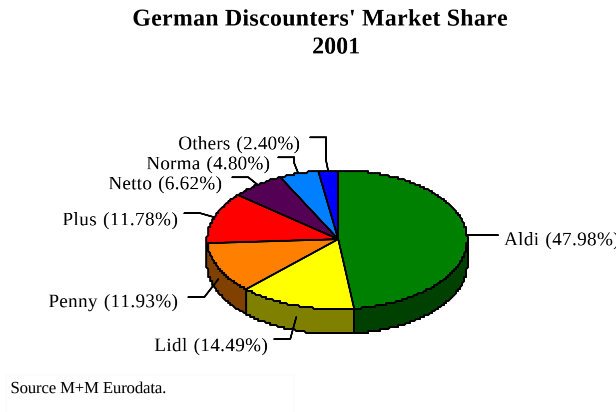
One of the mostly closely watched developments in the German retailing sector was the 1997 entrance of U.S. retailer Wal-Mart in the German market. Wal-Mart's entrance into Germany (Europe) began with the purchase of 21 hypermarket outlets previously owned by the Wertkauf Group, followed by the purchase of 74 hypermarket outlets from Spar AG in late 1998. New supercenters were built in Guettersdorf (2001), Pattensen (2001), and Bergkamen (2002). These purchases have given Wal-Mart a chain of outlets with annual sales of about *$2.89 billion* and have made Wal-Mart the 13th largest retailer in Germany. About 50 percent of Wal-Mart's gross sales are of food products. Despite Wal-Mart's significant investment in Germany, the retailer continues to struggle to establish itself as a dominant player in the German market.

Leading Retail Food/Beverage Trade Companies, 2001

Retailer	Ownership	Turnover in 2001 (Euros)		Turnover by Store Type	No. of Outlets	Outlets Names (types)
		Gross	Food			
Edeka/ AVA	German	25.4	21.3	H: 79%; O: 21% (only for AVA)	3,388	CC: Union SB, Mios, ENO, ZAG; H: E-Center, Marktkauf; S: E-neukauf, E-Aktiv Markt, Dixie; Dr: Elkos
Rewe	German	29.3	19.7	H: 7%; S: 38%; D: 15%; CC: 25%; O: 15%	6,158	CC: Fegro- Selgros; H: Globus, Toom, S: Rewe-Center, HL, Minimal; D: Penny
Aldi	German	21.6	17.5	D: 100%	3,263	D: Aldi
Metro	German/ Swiss	32.2	14.3	H: 38%; CC: 20%; O: 42%	1,805	CC: Metro; H: Real, Extra, Kaufhof
Lidl & Schwarz	German	13.7	11	H: 51%; D: 47%; CC: 2%	2,078	CC: Kaufland/Kaufmarkt; H: Handelshof, Concord; D: Lidl
Tengelmann	German	12	7.4	S: 21%; D: 44%; O: 45%	6,005	H: Grosso, Magnet, Kaiser's; S: Kaiser's Tengelmann; D: Plus,
SPAR	French	7.9	7.1	H: 20%; D: 37%; CC: 43%	1,648	CC: Spar; H: Eurospar, Intermarche; S: Spar; D: Netto;
Wal-Mart	U.S.	2.89	1.45	H: 100%	94	H: Wal-Mart Supercenter

Note: CC: Cash & Carry; H: Hyper market; S: Supermarket; D: Discount; O: Other;
Source: M+M EUROdATA; EuroHandels Institute.

There are also major changes occurring in how food and beverages are being marketed in Germany. Small local shops and supermarkets, although still comprising the bulk of outlets, are increasingly being replaced by large hypermarkets and discount food stores. Hypermarkets and discounters now account for about 60 percent of all retail food and beverage sales, despite accounting for less than one-quarter of all the outlets. Metro AG is Germany's largest operator of hypermarkets and Aldi the leading operator of discount markets.



The discount segment is the most dynamic in Germany. Discounters have prospered in recent years as German consumers have become more and more price conscious. Currently, in terms of sales, discount stores comprise close to 35 percent of the retail food market up from 24.3 percent a decade ago. The number of discount stores have also grown during this time period from 9,500 to 14,000. Aldi is the largest discounter with close to 48 percent of the discount market. According to a poll conducted by AC Nielsen, German consumers spend about $19 per visit to Aldi compared to $21 in hypermarkets, $13 in other discount stores, and $12 in supermarkets.

Each of Germany's leading retail groups has a different business structure and purchasing and distribution system. Many of the leading retailers have multiple retail chains, often with various types of retail formats, i.e., large hypermarkets, discount and small neighborhood stores, or perhaps beverage and/or delicatessen outlets. The purchasing departments for the large retailers may also be divided by retail format and, sometimes, by region of the country.

- **Convenience Stores, Gas Marts, Kiosks, Etc.**

Entry Strategy

Convenience outlets -- small shops, often located at gasoline and train stations, highway rest stops, kiosks and bakeries -- were among the fastest growing retail formats in Germany. In the last couple of years growth has leveled off. In 2001, the number of convenience stores dropped by 1 percent and turnover fell by 1.8 percent to $19.8 billion. Although in terms of turnover, over half the convenience stores in Germany are kiosks or snack stands, convenience stores in gas stations reported roughly the same amount of turnover with a much smaller number of outlets. In addition to non-food items, the most popular items at these outlets include: fruit juice and fruit drinks, soft drinks, beer, wine, other beverages, confectionery products, snacks and convenience-type foods. Products sold in these outlets typically are priced 30-70% higher than in more conventional outlets.

There are several large wholesalers that supply food and non-food products to these convenience outlets. The leading supplier to the convenience sector is Lekkerland-Tobaccoland (L-T), which carries about 10,000 different items and services more than 70,000 customers, including gas station shops, kiosks, beverage stores and bakeries. In 2001, the turnover of Lekkerland increased by 0.2 % to 1,511 million Euro, not including tobacco products. Metro, Spar, and Tengelmann compete with Lekkerland in supplying these convenience outlets in Germany.
Organizations like Lekkerland, as well as other suppliers to convenience stores, normally source most if not all of their imported products from specialized importers. Most U.S. companies interested in exporting to Germany and in developing a position in the German market are advised to work with an importer(s) or with an agent/broker that services these sectors.

C. Buying Associations (Groups)

Entry Strategy

Buying associations or buying groups play an important role in German food and beverage retailing. Buying associations generally are operated by a wholesale company that provides services for a group of independent retailers.

The largest such buying association in Germany is Markant. Markant members have a total annual turnover valued at about 41 billion Euros. Markant is an association of more than one hundred independent enterprises, selling both food and non-food products. The goal of the company is to provide a cooperative platform for purchasing and marketing and providing of services for medium-sized merchants throughout Germany (and Europe). In Germany, Markant members include a number of major food retailers, including market leaders Lidl & Schwarz, Schlecker, Dohle and Wal-Mart.

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D. Other Channels

Home food delivery, mail-order and selling foods and beverages over the Internet are alternatives to the traditional German retailing sector. Home food delivery is not a new phenomenon in Germany, especially for frozen food. The value of food and beverages sold over the Internet is small, but a growing segment of the total. Germany's leading retailers, are now becoming involved in e-commerce. In February 1999, 13.8 million Germans used the Internet, 21.8% of the population. Approximately 33.5% of users say they have had experience with e-commerce. According to figures compiled in 1997, of Germany's small- and medium-sized German food companies, 34% have Internet access and 12% conduct Internet sales.

III. Competition

As the world's largest importer of agricultural products, Germany is an attractive and very sought-after market for exporters throughout the world. The EU internal market permits food products from the other EU-member states a competitive advantage in the German market; an advantage which cannot be easily overcome by competing third countries. Approximately two-thirds of Germany's agricultural imports are sourced from other EU countries, many of which target the German market through the use of promotional programs. The enlargement of the EU in 2004 will give products from the accession countries preferential access to the EU market and will further disadvantage U.S. products in the German market.

In addition to the United States, Germany also imports significant quantities of agricultural products from other non-EU countries. Much of the third-country imports are sourced from Eastern Europe, North Africa and Israel, South Africa, and Latin America and the Caribbean. Germany's major consumer-oriented product imports from these countries include: meat and poultry, fresh fruit (particularly bananas), processed fruit and vegetables, pistachios, and meat and products.

Third-country promotions for food products in Germany strongly focus on generic aspects. Examples of these types of promotions are: in-store promotions, special combined editorial and advertising sections in trade magazines, and national exhibits at trade and consumer fairs. In department stores a country may be featured with a full line of food and non-food products as well as other economic segments, such as tourism.

Consumer-ready processed food products are imported and distributed by a large number of German importers and import agents. In addition to cooperative advertisement with importers and suppliers, individual country promotions in the German retail trade are organized to increase visibility and awareness of those products and, consequently, increase distribution. Such promotions in Germany are normally organized and sponsored (often also financed) by the foreign country's Embassy or other government representation, in close cooperation and coordination with local importers and the retail organization.

Germany - Imports	Imports from the World			Imports from the U.S.			U.S Market Share		
	1998	1999	2000	1998	1999	2000	1998	1999	2000
	(In Millions of Dollars)						(Percent)		
CONSUMER-ORIENTED AGRICULTURAL TOTAL	28,021	25,890	24,083	560	492	485	2	2	2
Snack Foods (Excl. Nuts)	1,493	1,426	1,221	6	7	9	0	1	1
Breakfast Cereals & Pancake Mix	108	115	94	1	1	1	1	0	1
Red Meats, Fresh/Chilled/Frozen	2,548	2,166	2,085	6	7	1	0	0	0
Red Meats, Prepared/Preserved	780	703	788	1	2	2	0	0	0
Poultry Meat	1,129	827	767	1	1	0	0	0	0
Dairy Products (Excl. Cheese)	1,319	1,193	1,225	2	1	1	0	0	0
Cheese	1,934	1,739	1,565	1	1	1	0	0	0
Eggs & Products	357	281	284	9	6	8	2	2	3
Fresh Fruit	3,537	3,231	2,959	25	22	16	1	1	1
Fresh Vegetables	2,694	2,395	2,352	2	2	1	0	0	0
Processed Fruit & Vegetables	2,798	2,802	2,463	89	72	74	3	3	3
Fruit & Vegetable Juices	778	766	788	10	10	12	1	1	2
Tree Nuts	780	688	648	234	193	188	30	28	29
Wine & Beer	2,094	2,154	1,882	37	50	66	2	2	3
Nursery Products & Cut Flowers	1,945	1,679	1,491	31	27	26	2	2	2
Pet Foods (Dog & Cat Food)	401	351	395	35	29	8	9	8	2
Other Consumer-Oriented Products	3,324	3,376	3,077	72	65	72	2	2	2
FISH & SEAFOOD PRODUCTS	2,441	2,192	2,122	47	39	35	2	2	2
Salmon	343	335	339	15	9	12	4	3	4
Surimi	49	40	44	6	8	7	12	19	16
Crustaceans	332	290	304	4	4	4	1	1	1
Groundfish & Flatfish	939	798	774	17	12	5	2	1	1
Molluscs	52	48	50	1	1	1	0	1	0
Other Fishery Products	727	680	613	6	6	6	1	1	1
AGRICULTURAL PRODUCTS TOTAL	40,507	36,495	34,266	1,753	1,439	1,401	4	4	4
AGRICULTURAL, FISH & FORESTRY TOTAL	48,131	43,592	40,944	2,173	1,752	1,698	5	4	4

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

IV. Best Product Prospects

Below is a list of products identified as having a strong market potential in Germany and some helpful tips for interested exporters.

Best Product Prospects	Tips/Facts
Snack Foods	The $15 billion German snack food market consists mainly of chips and other salty items, followed by specialty snacks and nuts. Growth primarily driven by product innovation, like flavored snacks.
Fresh Fruit & Vegetables	Excellent opportunities exist for supplying fresh produce, particularly citrus, pears, table grapes and green asparagus, during the winter months (Nov.-Feb.).
Dried Fruits & Nuts	The market for most nuts and dried fruit is fairly stable thoughout the year but sales generally peak in anticipation of the Christmas season. Imports are generally in-bulk for use by the food processing sector.
Organic Products	Germany is Europe's largest market for organic products, with sales roughly estimated at $ 3 billion in 2002.
Alcoholic Beverages	Although overall alcohol consumption is declining, the market for imported beer, wine and spirits is stable or growing.
Pet Food	Sales of cat food have the biggest market share, followed by dog food. Market potential exists for premium pet food.
Fitness foods and beverages	Good prospects for "functional" products with added nutritional properties such as vitamins and minerals.
Frozen Fish	Good prospects exist for frozen Alaska Pollack and other frozen fish with Marine Stewardship certification (sustainable fishing certification).

V. Contacts for Further Information

If you have questions or comments regarding this report, or need assistance exporting to Germany, please contact the U.S. Agricultural Affairs Office in Berlin at the following address:

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Home Page: http://www.usembassy.de/

Please view our Home Page for more information on exporting U.S. food and beverage products to Germany, including market and product "briefs" available on specific topics of interest to U.S. exporters. Importer listings are available from the Agricultural Affairs Office for use by U.S. exporters of U.S. food and beverage products.

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service Home Page at http://www.fas.usda.gov

Yearly Currency Conversion Rates:

		DM	Euro
1996	1 U.S.$ =	1.5037	0.76882
1997	1 U.S.$ =	1.7348	0.88699
1998	1 U.S.$ =	1.7592	0.89946
1999	1 U.S.$ =	1.8351	0.93827
2000	1 U.S.$ =	2.1176	1.08271
2001	1 U.S.$ =	2.1838	1.11656